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# INTERTRIBAL MONITORING ASSOCIATION ON INDIAN TRUST FUNDS

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## PROGRESS REPORT ON BIA MANAGEMENT OF INDIAN TRUST FUNDS

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This will review the more recent activities of the Department, Bureau and the Office of Trust Fund Management ("OTFM") in working for improvement in Trust Fund Management and, most recently, in effecting improvements in other trust assets management programs as they relate to and affect the performance of OTFM.

In carrying out its monitoring function on behalf of the tribal clients of OTFM, the Intertribal Monitoring Association on Indian Trust Funds ("ITMA") has been guided by directions from the tribes. Those directions emphasize that they wish to avoid the kinds of quick fixes that give the appearance of action but do not produce long-term improvement. The tribes recognize that the present problem resulted from many years of mismanagement and therefore cannot be corrected overnight. What they seek is a solid approach that builds from the ground up. In particular, the first focus must be on developing a qualified staff at OTFM that is capable of managing the new systems, new approaches, etc., that must be part of any improvement program. To the extent possible, the key parts of this staff need to be on board before any new systems are developed. Swamping OTFM with "help" before the office is capable of absorbing it, is not helpful. The assessment of progress that follows has been done within this framework.

### Account Reconciliation Project

As recommended by ITMA, the reconciliation process undertaken by the contractor, Arthur Andersen & Company has been stopped. It was ITMA's conclusion that the final approach proposed by Arthur Andersen would have given the appearance of doing something but would have failed completely to provide tribes and IIM account holders with the true "accounting" to which they are entitled. Funds then remaining under the first year contract have been used to cover completion of certain specific tasks then in progress and the transfer of reconciliation technology and methodology to the staff at OTFM. Further it was recommended that OTFM should assume the responsibility for reconstructing the tribal accounts and that a new approach be developed to accomplish the accounting for auditing and certification of all

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Trust Fund accounts. OTFM, in consultation with ITMA, has prepared a draft Indian Trust Funds Reconstruction Project Phase II Reconciliation and Management Plan Conceptual Framework. A necessarily limited review indicates this to be a meritorious piece of work with real conceptual value. In addition, OTFM has entered into a MOU with GSA to complete the physical inventory of the financial trust funds records.

However, much remains to be done before a reasoned evaluation of OTFM's comprehensive plan and its capability to execute that plan can be made. Two significant staffing positions critical to both plan development and performance must be filled before significant further progress can be had.

**Strategic Planning**

Until April 1, 1992, the Office of the Assistant Secretary for Indian Affairs had the responsibility for the preparation of a strategic plan document for OTFM. That document was deliberately delayed to permit reference to the Concept Paper to be produced by ITMA. On April 1 responsibility for production of a strategic plan was transferred to the OTFM. In early June, a draft of the Trust Funds Strategic Plan was forwarded to the Deputy Commissioner of Indian Affairs for preliminary review and comment before wider distribution in the following week. ITMA has not yet had an opportunity to review this document.

**Proposed Reorganization of the Office of Trust Funds Management**

The staff of OTFM has completed an introspective evaluation of their present organization and staffing needs and from that evaluation has prepared a draft Proposed Reorganization of the Office of Trust Funds Management which was forwarded to the Office of the Assistant Secretary for Indian Affairs for review, editing and submittal for Departmental approval. Although the required approvals have not yet been obtained, the Reorganization Task Force, by Resolution No. TF-12-002 dated April 29, 1992, approved and authorized the BIA to proceed with obtaining the necessary approvals. The task force action was based, in significant part, on the endorsement of ITMA, which endorsement was limited with respect to the total number of new staff positions proposed other than the basic organizational framework. ITMA indicated it likely would support additional positions once OTFM develops a staffing and management plan. With the endorsement of the Task Force, OTFM has proceeded with its efforts to fill certain critical management positions.

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For months OTFM has been operating with unfilled staff positions at all levels including a number of key management slots. These unfilled positions are those already authorized and do not include those to be authorized by the approval of the much needed reorganization. At a time when the normal recurring workload, at the management level at least, is equal to or exceeded by the historical and non-recurring external demands, the understaffing is a particularly acute problem. However, good progress has been made in recent months, particularly in the last thirty to forty days. Among the more heartening events are:

**Systems Improvement** - A private sector bank trust systems specialist of proven competence has been placed under contract to assist in the development and implementation of a systems improvement strategy. In addition, a topnotch systems specialist from USGS has been made available and is participating as needed. As a result of this systems team, which appears to be working effectively and closely with top management, OTFM is now in a position to rationally quantify and prioritize its needs and to responsibly manage the work of systems contractors as these projects are undertaken.

**Trust Funds Investments** - A person to fill the position of Chief of the Division of Trust Funds Investment has been selected. That action was forwarded to Washington for required approval some two weeks ago.

**Office of the Director** - Again, selection of a candidate for the position of Deputy Director has been made and forwarded to Washington for approval. That action was taken three weeks ago and is still waiting approval.

**Trust Funds Accounting** - The position of Chief of the Income Collections Division has been filled.

Both quality and quantity of staff continue to be serious concerns. However, the remarkably good morale and attitude of the Director and the entire staff under very trying conditions and the intense attention to staffing needs constitute a basis for encouragement here.

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ITMA, in the performance of its assistance and oversight roles with OTFM has, inevitably, formed some conclusions with respect to the management effectiveness of the Department, the Bureau and OTFM in dealing with the recognized issues in the broad field of trust asset management. Briefly, the performance of the Office of the Assistant Secretary, regardless of intent, is perceived to have been directed to inappropriate "quick-fixes", recommendations of actions that appear to be helpful but are without substance, and a continuing micromanagement effort that has only served to add to the already burdensome demands on management at OTFM. The ITMA view of the impending transfer of much of the management responsibility now held in the Office of the Assistant Secretary to the Deputy Commissioner of Indian Affairs (requested by the Reorganization Task Force by Resolution dated January 29, 1992) is that it is a constructive one which should result in Washington level support and assistance not readily available heretofore. The Office of the Assistant Secretary has access to valuable sources of assistance and needs to continue to play this important role. However, the decision on how to use the resources identified by the Assistant Secretary needs to rest with OTFM which can best assure the resources can be properly integrated into the other OTFM activities.

With regard to Management performance at OTFM, the ITMA view is that given the conditions known to all that have existed, it has been more than acceptable and is improving every day. The management group now in place complemented by those to be added may just be able to "pull it off." However, it needs to continue to have clear milestones for progress and to be held tightly to those milestones.

**Arthur Andersen & Company Contract**

It has proven necessary to extend the Arthur Andersen contract to June 30, 1992 in order to complete all the "wind-up" tasks discussed in the Concept Paper and believed necessary by OTFM. At this time further work by them, if any, in connection with the trust fund accounting and auditing project would be in the role of independent reviewer and attestor to the adequacy of the scope, procedures, methodology and quality of work performed by the BIA, tribes or tribal and BIA contractors.

**Actualization of Trust Assets**

As the Concept Paper noted, there are problems in the handling of trust assets that go beyond the management of the monetary assets and can be contributory to the difficulties in

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collecting, investing, accounting for and distributing. Dave Matheson, Deputy Commissioner of Indian Affairs, asked ITMA to co-sponsor a planning group to begin the development of a Strategic Plan for the improvement of trust asset management. Members of that group include representatives from the Reorganization Task Force, Indian natural resources organizations and all affected branches of the Federal government. A first meeting of that group was held in Washington on May 20 and 21, 1992. There, agreements were reached on visions of trust asset management in the year 2002, barriers to achieving those visions, the need for further strategy development, and the need for a small core group of the parties involved to devise a scope and plan to proceed with this effort. This particular action could be an effective adjunct to actions in process and to be taken at OTFM. The interrelationship between trust funds and the trust asset systems that feed into the OTFM make the transfer of responsibility over OTFM from the Assistant Secretary to the Deputy Commissioner even more urgent, since the latter oversees the trust asset systems.